

"(3) SPECIAL RULE FOR CERTAIN RCSBP PARTICIPANTS.—In the case of a participant in the Plan who is participating in the Plan under an election under section 1448(a)(2)(B) of this title and who provided child-only coverage during a period before the participant becomes entitled to receive retired pay, the retired pay of the participant shall be reduced by an amount prescribed under regulations by the Secretary of Defense to reflect the coverage provided under the Plan during the period before the participant became entitled to receive retired pay. A reduction under this paragraph is in addition to any reduction under paragraph (1) and is made without regard to whether there is an eligible dependent child during a month for which the reduction is made.

"(4) CHILD-ONLY COVERAGE DEFINED.—For the purposes of this subsection, a participant in the Plan who is providing child-only coverage is a participant who has a dependent child and who—

"(A) does not have an eligible spouse or former spouse; or

"(B) has a spouse or former spouse but has elected to provide an annuity for dependent children only.

"(c) REDUCTION FOR INSURABLE INTEREST COVERAGE.

"(1) REQUIRED REDUCTION IN RETIRED PAY.—The retired pay of a person who has elected to provide an annuity to a person designated by him under section 1450(a)(4) of this title shall be reduced as follows:

"(A) STANDARD ANNUITY.—In the case of a person providing a standard annuity, the reduction shall be by 10 percent plus 5 percent for each full five years the individual designated is younger than that person.

"(B) RESERVE COMPONENT ANNUITY.—In the case of a person providing a reserve-component annuity, the reduction shall be by an amount prescribed under regulations of the Secretary of Defense.

"(2) LIMITATION ON TOTAL REDUCTION.—The total reduction under paragraph (1) may not exceed 40 percent.

"(3) DURATION OF REDUCTION.—The reduction in retired pay prescribed by this subsection shall continue during the lifetime of the person designated under section

1450(a)(4) of  
this title or until the person receiving retired  
pay changes  
his election under section 1450(f) of this title.

"(4) RULE FOR COMPUTATION.—Computation of a  
member's  
retired pay for purposes of this subsection shall  
be made with-  
out regard to any reduction under section  
1409(b)(2) of this  
title.

"(d) DEPOSITS TO COVER PERIODS WHEN RETIRED  
PAY NOT  
PAID.—

"(1) REQUIRED DEPOSITS.—If a person who has  
elected to  
participate in the Plan has been awarded  
retired pay and  
is not entitled to that pay for any period, that  
person must  
deposit in the Treasury the amount that would  
otherwise have  
been deducted from his pay for that period.

"(2) DEPOSITS NOT REQUIRED WHEN PARTICIPANT  
ON ACTIVE  
DUTY.—Paragraph (1) does not apply to a person  
with respect  
to any period when that person is on active  
duty under a  
call or order to active duty for a period of  
more than 30  
days.